

M e m o r a n d u m

To: Panel Members Date: September 22, 2006

From: Creighton Chan, Manager Analyst: D. Woodside

Subject: One-Step Agreement for **TYCO THERMAL CONTROLS LLC**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Stimulating Exports/Imports
Moving To A High Performance Workplace
Promotion Of California's Manufacturing Workforce
- Type of Industry: Manufacturing Electric Heating Cable
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
 - *Worldwide:* 2,500
 - *In California:* 287
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$99,000
- Substantial Contribution: \$0
- Total ETP Funding: \$99,000
- Total In-kind Contribution: \$132,000
 - *Trainee Wages Paid During Training:* \$132,000
 - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Mateo

INTRODUCTION:

Tyco Thermal Controls LLC (TTC) manufactures self-regulating electric heating cable products, and related software and components found in thermal control systems used by the oil and gas, chemical, power generation, manufacturing, pharmaceutical, and commercial construction industries, to name a few. The Redwood City facility, which has been operating continuously since 1957, produces 17 different insulated cables used in a variety of products for wiring, heating, and temperature control under all types of conditions. For instance, TTC cable and accessories would be attached to an oil pipeline to trace and control heat along its entire length. The company currently employs 287 Californians on a full-time basis.

TTC's products are sold throughout the world and the company faces significant out-of-state and off-shore competition from Pacific Rim companies. This manufacturer is eligible for ETP funding under Title 22 California Code of Regulations, Section 4416(b).

This will be the second ETP training program funded at this facility. The first highly successful program funded primarily manufacturing skills training. This project will focus on the company's new continuous improvement and quality initiative which includes Six Sigma. Class/lab training in the requisite computer and literacy skills will also be provided to ensure that 125 front-line workers in operations and production will participate in this quality effort to reduce rework and scrap, and thus maintain the Redwood City facility's global competitiveness.

MEETING ETP GOALS AND OBJECTIVES:

TTC proposes training that will further the following ETP goals and objectives:

- 1) The Redwood City plant continues to meet 85 percent of its worldwide orders within 48 hours and production cycle times have been reduced from an average of 12 days 3 years ago to 8 days today. To stimulate increased exports of its products the plant must become even more efficient through the reduction of scrap which will improve yield and increase productivity.
- 2) The major focus of this program will be continuous improvement training in order for this company to continue its adaptation to a high performance workplace, one of the Panel's priorities.
- 3) If Tyco Thermal Controls can achieve the process improvements it seeks through this retraining effort, the company is more likely to maintain its competitive edge against off-shore competitors and retain its California workforce.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Trainees to Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Average Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retraitees	Menu: Continuous Improvement Computer Skills Literacy Skills	125	24 - 200	-0-	\$792	*\$12.90 - \$67.70
Wages After 90-Day Retention						
<u>Occupation</u>						
Production Worker/Operator						
Technician						
Manager/Supervisor						
Administrative Assistant						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u>					<u>Turnover Rate</u>	<u>% Of Mgrs & Supervisors To Be Trained:</u>
* Employer paid health benefits of at least \$.42 per hour may be used to meet the ETP minimum wage of \$12.90 for retrainees in San Mateo County.					7.5%	10%
<u>Other Employee Benefits:</u> In addition to medical, dental, and vision benefits, TTC provides a 401(k) plan, tuition reimbursement, and an employee stock purchase plan.						

COMMENTS / ISSUES:

➤ ***Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee) except for 12 managers/supervisors.

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

RECOMMENDATION:

Staff recommends that the Panel approve this proposal to assist this manufacturer remain competitive in a global market and retain jobs for Californians that provide good wages and long-term job security.

NARRATIVE:

The focus of this retraining effort will be to support the company's move towards a high performance workplace comprised of frontline workers who problem-solve, work in a team environment, and implement process improvements.

Continuous Improvement Skills training will enhance the employees' abilities to link daily actions and decisions to the quality of the product and customer satisfaction, and to make recommendations and implement process improvements throughout the production cycle. Employees will gain knowledge and tools to communicate and to resolve conflict to improve team performance. Training for frontline supervisors and managers will teach skills to coach, lead teams, communicate and improve employee morale and productivity. In addition, Six Sigma training, a major operational excellence initiative for TTC, will be provided to key operators, technicians, and supervisors to become certified Six Sigma Green Belt Champions who will drive and lead high performance work teams. Six Sigma is a quality improvement methodology structured to reduce product or service failure rates to a negligible level (roughly 3.4 failures per million opportunities).

Computer Skills training will be provided in Manufacturing Resources Planning software (SAP) which will enable users to fully utilize manufacturing (Minitab) software to reduce the amount of time to confirm work orders, print specifications, and run reports. Intermediate and Advanced Microsoft Excel training will provide workers with the ability to access, analyze, and display information to share with their team members in order to make better decisions and improve processes. No basic Excel training will be funded by ETP.

Literacy Skills training will include Vocational English as a Second Language and cover reading and writing skills; and language comprehension of standard operating procedures, safety bulletins, and vocabulary building in process improvement, computer, and business terminology.

Commitment to Training

TTC will not use ETP funds to displace its current training resources because it has a large proportion of production employees, the company primarily uses on-the-job training to teach workers their specific job requirements. However, even with a limited classroom-based training program, TTC representatives report that the company spent \$228,904 in training during the previous year for individual and small groups of employees to receive Six Sigma, finance, information technology, customer service and product knowledge training.

ETP funds will increase the classroom training opportunities for frontline workers and enhance the technical level and depth of the training for its manufacturing workforce. As a result, operator excellence and high performance work teams will contribute to the competitive edge of TTC. The company representative states that ETP-funded training will be incorporated into the company's on-going training program after the term of this Agreement.

SUBCONTRACTORS:

The Contractor may use California-based training vendors to be determined.

THIRD PARTY SERVICES:

None

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

PRIOR PROJECTS						
Agreement Number	Location (City)	Term	Contract Amount	Amount Earned	<i>Planned</i> In-kind Contribution	<i>Reported</i> In-kind Contribution
ET03-0221	Redwood City	2/03/03-2/02/05	\$258,570	\$209,131	\$403,800	\$327,159

Tyco Thermal Controls LLC

MENU CURRICULUM

Class/Lab Hours
24 – 200

Trainees may take any of the following:

Continuous Improvement Skills

- Communicating for Individual and Team Effectiveness
- Effective Communication for Leaders
- Handling Interpersonal Conflict/Improving Team Performance
- Product Quality Training for Operators
- Product Roadmap for Operations Support
- Leading Through Organizational Change
- Six Sigma: Green Belt
- Performance Excellence (Sparking, Printing, Packaging, Braiding, Extrusion) -trainees will gain a better understanding of standard vs. excellence performance for each process step with the goal of eliminating scrap and re-work

Computer Skills

- SAP for Manufacturing Operations
 - how to print manufacturing specifications; how to enter required data into SAP, print required documentation, and perform first line troubleshooting for common errors
- SAP Material Master
- MINITAB Software
 - Reporting, and presenting data
 - Data and file management
 - Macros and command language
 - Basic statistics
 - Measurement Systems analysis
 - Statistical Process Control
- Intermediate and Advanced Microsoft Excel: access, process, analyze, share, and display critical business data to make better decisions, improve processes, and reduce waste

Tyco Thermal Controls LLC

MENU CURRICULUM (Continued)

Class/Lab Hours
24 – 200

Trainees may take any of the following:

Literacy Skills*

- Vocational English
 - reading and writing electronic messages; SAP computer screens
 - language comprehension of standard operating procedures
 - vocabulary building: key business functions, quality, and manufacturing

* Literacy hours funded by ETP for an individual trainee cannot exceed 45% of the total job-specific skills training received by that trainee.

<p><u>Comment:</u> The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)</p>
